

Financial Status Report

Prepared by the Finance Department

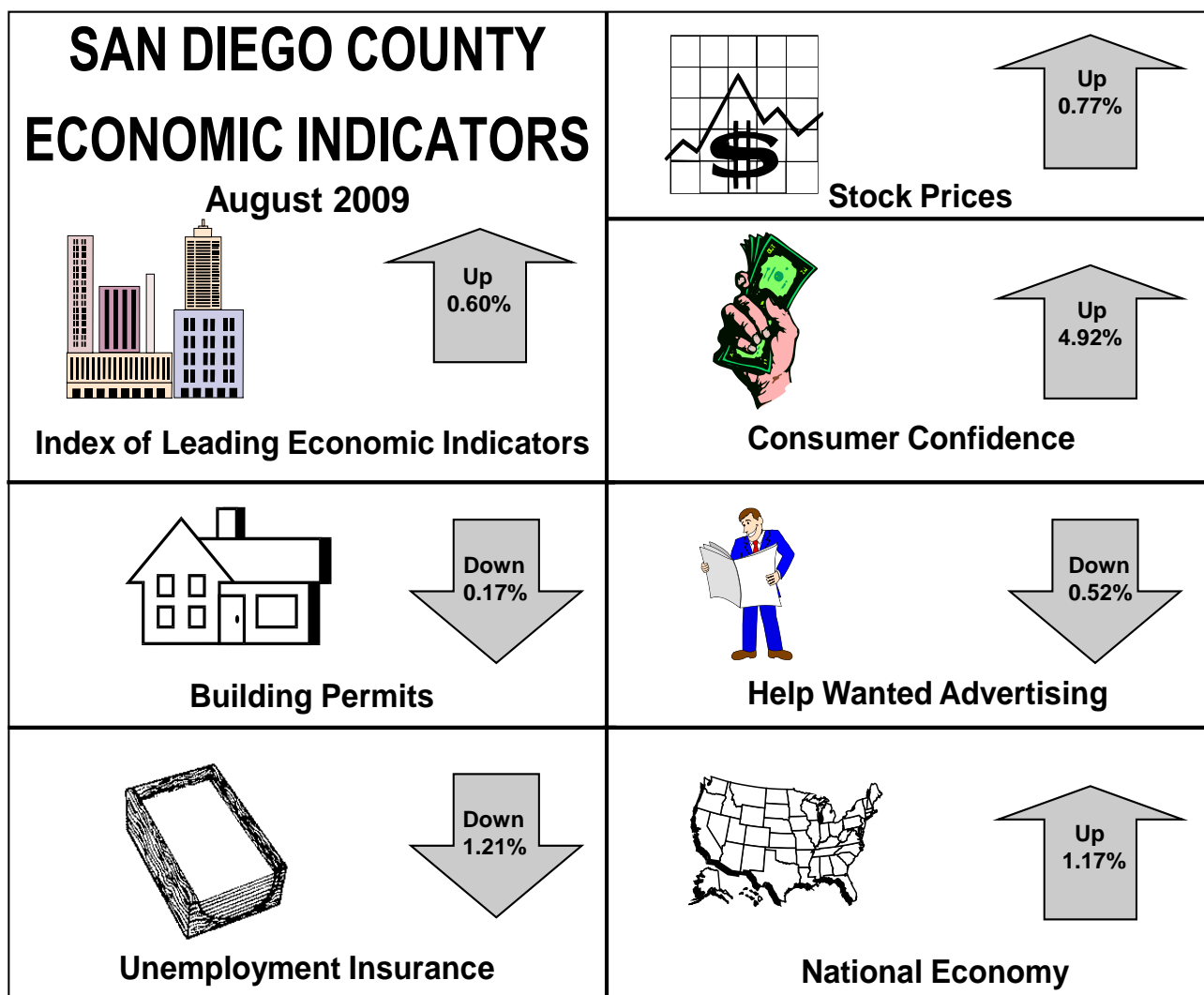


September 30, 2009

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through September 30, 2009. It compares revenues and expenditures for the first quarter of Fiscal Year 2009-10 and Fiscal Year 2008-09. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

SAN DIEGO ECONOMIC INDICATORS

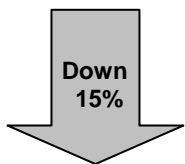


According to the USD Index of Leading Economic Indicators Report:

The University of San Diego's Index of Leading Economic Indicators for San Diego County rose 0.6% in August. As has been the case for the previous four months, a sharp gain in local consumer confidence led the move to the upside. Also advancing solidly were local stock prices and the outlook for the national economy. These gains outpaced big negative moves in building permits and initial claims for unemployment insurance and a smaller drop in help wanted advertising to push the USD Index to its fifth straight increase.

August's gain was the biggest monthly gain in the USD Index since March 2004. It reinforces the view projected since the Index first turned positive that the local economy is approaching a bottom. The breadth of the advance remains mixed, with the number of rising components matched by the number of decliners. This month's numbers are encouraging in that the components that were negative were down by smaller amounts than have recently been the case. A key in the coming months will be whether the local economy can stabilize as the summer ends and we head into the slower fall and winter months. Back-to-school sales have already been classified as weak, and not much improvement is expected in the holiday buying season. As was indicated in previous reports, it looks like a bottom is more likely in the first half of 2010 than in the latter part of 2009.

Residential units authorized by building permits in August were the third worst on record, with only January and February of this year being lower. Of the 102 units authorized, only four were multi-family units, which tied the worst level ever for a single month. With housing sales picking up and inventory dropping, there is a concern about a possible bottleneck in residential construction as many developers have either scaled back their operations considerably or have left the region entirely. Both labor market variables remain negative, but are "less bad" than in recent months. Job loss continues to be high, with initial claims for unemployment insurance remaining well above the 30,000 level. Although it was not enough to change the negative trend in initial claims, August's level was down 10% from the all-time high set in July. Help wanted advertising was down for the 36th month in a row, but it was the smallest decrease since October 2006. The net result was that the local unemployment rate was a high 10.4% in August, but was unchanged from the previous month. Local consumer confidence surged as consumers' views of the present situation and their expectations both rebounded sharply, with the former reaching a 13-month high and the latter reaching a 28-month high. The gain in August put local stock prices up 40% from the March 9th low as the financial markets remain positive about the outlook for San Diego companies. The national Index of Leading Economic Indicators has now increased for five months in a row, implying a rebound in the national economy is on the way. Many economists, including the Federal Reserve Chairman, think the national recession is now over, with the Gross Domestic Product (GDP) likely to turn positive in the current (3rd) quarter.¹

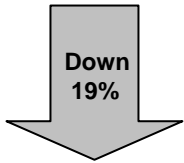
TOP GENERAL FUND REVENUES

Property Taxes (\$2.7 million) – The majority of property tax revenue is collected in December and April each fiscal year, therefore, the property taxes collected to date are not a good indicator of what the City will be receiving during the year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have decreased by 1% for Fiscal Year 2009-10. This is the first time since 1995 that the City's assessed values have decreased from year to year. This reflects the continuing countywide slow down in property valuation and new construction, as well as an increase in foreclosures. The assessed values in San Diego County have decreased 2.3%. This represents the first time that the countywide assessed value has declined in the past 25 years.

The primary reason that property taxes for the first three months of the new fiscal year have decreased by 15% as compared to the prior fiscal year is due to the one-time receipt during the last fiscal year of prior years' aircraft taxes. In Fiscal Year 2008-09, a new California state law required fractionally owned aircraft to start being assessed for property tax payments, retroactive to 2002. The County Assessor's Office assessed and billed for this new classification back to 2002, resulting in one-time property tax revenue for

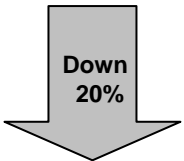
¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in August*, September 24, 2009.

prior years' aircraft taxes being received during the first two months of Fiscal Year 2008-09. There are still a few prior year aircraft tax assessments for the County to bill in the current fiscal year, but the majority of the prior year assessment revenue has already been received in Fiscal Year 2008-09.



Sales Taxes (\$4.2 million) – For the first three months of the new fiscal year, sales tax revenues are \$962,000 (or 19%) lower than the same time period in the previous fiscal year. Sales tax revenues to date represent the actual sales tax receipts for the second quarter of the calendar year, as well as the first advance of the City's third calendar quarter sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The primary factors in the decrease over the prior fiscal year is the result of a 19.8% drop in sales tax revenues during the second calendar quarter and the State Board of Equalization lowering the monthly advance for the third calendar quarter of 2009 versus the same quarter last fiscal year by 16%.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 64% of the City's sales tax revenues.



Transient Occupancy Tax (\$4.1 million) – Transient Occupancy Taxes (TOT) for the first three months reflect a decrease of \$1 million, 20% less than the previous year. This decrease is due to softness in the market, as almost all the hotels in the City showed a decline in revenue with lower occupancy rates and discounted room rates. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of August 2009.

Currently, there are 3,635 hotel rooms and 819 vacation rentals (timeshares) in the City. The average occupancy of hotel rooms over the most recent twelve months has been 57%, four percentage points below last year's average of 61%.

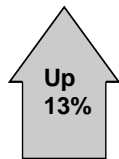


Income from Investments and Property (\$1.3 million) – For the first three months of the fiscal year, income from investments and property is up \$312,000 compared to the previous fiscal year. This is due to a combination of an increase in interest income resulting from the repayment of the Village Project Area of the Redevelopment Agency advance (up 45%) netted with a decrease in the rental of City-owned property (down 4%).

Interest income is up for the year due to the net effects of an 8.5% increase in the average daily cash balance combined with a 31.3% decrease in the average yield on the portfolio for the first three months of the fiscal year. In addition, during July 2009, the Village Project Area of the Redevelopment Agency paid back \$500,000 in interest on their advance from the General Fund. This did not occur in the prior fiscal year.

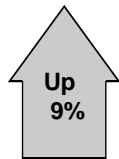
Income from property rentals and sales is down compared to the previous fiscal year primarily due to decreased recreation facility, senior center and media rentals partially offset by increased cell site lease revenues.

In July 2009, the General Fund sold to the Village Project Area of the Redevelopment Agency two parcels; property and a building on State Street and property and a building on Oak Street, for property redevelopment, area revitalization, blight elimination and economic development. The gross proceeds from this sale were \$4.36 million, with the City advancing the Redevelopment Agency \$1.86 million to complete the transaction. This one-time revenue is not currently reflected in the figures presented here, but will be incorporated in the final financial statements for the fiscal year.



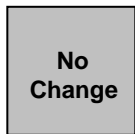
Business License Tax (\$965,000) – Business license revenues have increased by \$113,000 compared to Fiscal Year 2009. This variance is due to a timing difference. One of the City's larger businesses paid their current fee in September, when last year they paid in October.

There are currently 8,737 licensed businesses operating within the City, slightly ahead of last year's 8,708. The majority of taxed businesses (6,091 businesses) are located in Carlsbad, with 2,617 of these businesses home-based.



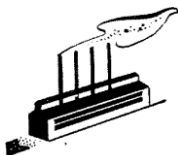
Interdepartmental Charges (\$947,000) – Interdepartmental charges are \$78,000, or 9% higher than last year. These charges are generated through engineering services charged to capital projects (up 40%), reimbursed work from other funds (no change) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (no change).

The City's engineers are spending more time in the current fiscal year on municipal projects, as reflected in the increase in engineering services revenues.



Recreation Fees (\$744,000) – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$3,000 lower than the previous fiscal year. The largest factors in this year's decrease are lower participation in aquatic lessons,

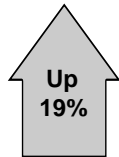
day camps and youth sports. These decreases were offset by higher triathlon and instructional class revenues.



Franchise Taxes (\$641,000) – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are up \$18,000 over the same period last year due primarily to a 12% increase in cable television franchise fees (AT&T and Time Warner) offset

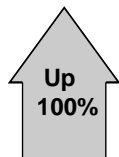
by a 10% decrease in Waste Management franchise fees. The decrease in Waste Management franchise fees is primarily due to a decreased demand for roll off dumpsters due to the downturn in the construction industry.

Approximately 52% of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2010.



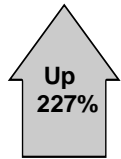
Ambulance Fees (\$623,000) – The City bills any individual who is transported in one of the City's ambulances. Through September 2009, receipts from ambulance fees are up 19% or \$98,000 higher than last fiscal year at this time. The number of transported patients that were billed in the first three months of Fiscal Year 2009-10 (1,116) versus Fiscal Year 2008-09 (942) has

increased, coupled with a rate increase that went into effect on August 1, 2009, have led to the higher revenues for the year.

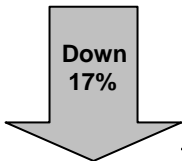


Transfers In (\$600,000) – Transfers in represent funds transferred from funds outside of the General Fund to the General Fund, to reimburse the fund for expenses incurred on behalf of other funds. The \$600,000 to date represents a budgeted transfer in from the General Capital Construction

Fund to assist in the funding of the Traffic Signal Maintenance Program.



Other Charges or Fees (\$467,000) – Other charges and fees are generated through the sale of City documents such as agenda bills, blueprints and copies, general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs, audio/visual rental fees, and general services such as mutual aid response, mall police services, emergency response services, reports, etc. The increase in the current fiscal year is due to reimbursement received from the City of Los Angeles for the Batiquitos Lagoon enhancement project, including reimbursing the City for administrative costs.



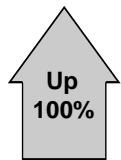
Development-Related Revenues (\$467,000) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease for the year. Due to the downturn in the construction industry, it is anticipated that development-related revenues will see a decrease of 6% as compared to the previous fiscal year by the end of

Fiscal Year 2009-10. This is on top of the fact that development-related revenues were down in Fiscal Year 2008-09 by 50% from Fiscal Year 2007-08.

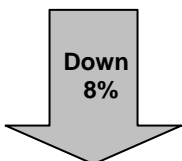
Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the largest development-related revenue sources anticipated for the year is engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in September included residential development of the Solamar Mobile Home Park, the Bressi Ranch Assisted Living facility, the Legoland expansion and the Pacific Ridge School expansion.

Another source of development-related revenue is building permits, which are down 18% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential and commercial/industrial building permits issued. The year-to-date valuation of new construction in the current fiscal year is just over \$27.1 million, while it was just over \$41.7 million in the previous fiscal year, a 35% decrease. The pace of construction remained slow in the month of September with 10 permits being issued. In the Northwest Quadrant, a permit was issued for a second dwelling unit. In the Southeast Quadrant, nine condominiums were permitted as part of the Solterra neighborhood in La Costa Greens. For the first three months of the fiscal year, 48 residential permits were issued, as compared to 34 permits issued during the same period last year.

One permit was issued during the month of September for 11,093 square feet of new industrial space on Palomar Airport Road in the Northwest Quadrant. Year-to-date there has been a combined 11,093 square feet in commercial/industrial permits issued, as compared to 202,568 square feet at this time in Fiscal Year 2009.



Other Revenue Sources (\$412,000) – Other revenue sources have increased by \$399,000 and include revenues received by the City to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; and refunds of prior year fees. This year's revenues reflect an increase in developer funded studies and reimbursements received for the administration of developer deposits.



Fines and Forfeitures (\$302,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. A decrease in parking citation, moving violation and overdue fine revenues has led to the overall decrease in fines and forfeitures.

EXPENDITURES

Total General Fund expenditures and encumbrances through the month of September 2009 are \$38 million, compared to \$40.1 million at the same time last year. This leaves \$79.3 million, or 67.6%, available through the fiscal year-end on June 30, 2010. If funds were spent in the same proportion as the previous year, the General Fund would have 68.1% available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at September 30, 2009 is 71.5%, slightly less than the 72.2% available at September 30, 2008. Due to the continuation of the "expenditure savings plan" approved by the Council last fiscal year as well as additional appropriation reductions approved in the 2009-10 Operating Budget, the total budget for the General Fund has decreased from \$125.7 million last fiscal year at this time to \$117.3 million in the current fiscal year. This has affected the percentage of appropriations available at the end of the first quarter of the 2009-10 Fiscal Year compared to the 2008-09 Fiscal Year.

Currently, staff is calculating the department "savings" to be carried forward which will be added to the 2009-10 adopted budget in the near future.

The City Council has allocated \$500,000 out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of September 30, 2009, \$36,496 has been authorized out of the contingency account, as shown in the chart below.

| CONTINGENCY ACCOUNT USE OF FUNDS | | | |
|--|------------------|------------|----------------------|
| EXPLANATION | AMOUNT | DATE | RESOLUTION NUMBER |
| ADOPTED BUDGET | \$500,000 | | |
| USES: | | | |
| "In Kind" Service Assistance for the 2009 Carlsbad High School Homecoming Parade | (3,350) | 07/14/2009 | 2009-186 |
| Art Splash Assistance | (33,146) | 08/11/2008 | 2009-207 |
| TOTAL USES | (36,496) | | |
| AVAILABLE BALANCE | <u>\$463,504</u> | | |

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

**GENERAL FUND
REVENUE COMPARISON**

| | EXPECTED BUDGET AS OF 09/30/09 | ACTUAL FY 2009 AS OF 09/30/08 | ACTUAL FY 2010 AS OF 09/30/09 | CHANGE FROM YTD 2009 TO YTD 2010 | PERCENT CHANGE |
|---|---|--|--|---|---------------------------|
| TAXES | | | | | |
| PROPERTY TAX | \$3,055,185 | \$3,214,503 | \$2,719,686 | (\$494,817) | -15% |
| SALES TAX | 4,762,494 | 5,121,704 | 4,160,198 | (961,506) | -19% |
| TRANSIENT TAX | 4,839,822 | 5,091,944 | 4,073,012 | (1,018,932) | -20% |
| FRANCHISE TAX | 601,874 | 623,030 | 640,641 | 17,611 | 3% |
| BUSINESS LICENSE TAX | 790,114 | 852,826 | 965,443 | 112,617 | 13% |
| TRANSFER TAX | 51,249 | 63,695 | 64,115 | 420 | 0% |
| TOTAL TAXES | 14,100,737 | 14,967,702 | 12,623,095 | (2,344,607) | -16% |
| INTERGOVERNMENTAL | | | | | |
| VEHICLE LICENSE FEES | 0 | 146,592 | 139,065 | (7,527) | -5% |
| HOMEOWNERS EXEMPTIONS | 0 | 0 | 0 | 0 | 0% |
| OTHER | 179,543 | 192,447 | 117,962 | (74,485) | -39% |
| TOTAL INTERGOVERNMENTAL | 179,543 | 339,039 | 257,027 | (82,012) | -24% |
| LICENSES AND PERMITS | | | | | |
| BUILDING PERMITS | 163,760 | 162,025 | 133,206 | (28,819) | -18% |
| OTHER LICENSES & PERMITS | 108,413 | 180,843 | 160,082 | (20,761) | -11% |
| TOTAL LICENSES & PERMITS | 272,173 | 342,868 | 293,288 | (49,580) | -14% |
| CHARGES FOR SERVICES | | | | | |
| PLANNING FEES | 81,915 | 116,656 | 134,837 | 18,181 | 16% |
| BUILDING DEPARTMENT FEES | 142,743 | 135,492 | 101,747 | (33,745) | -25% |
| ENGINEERING FEES | 148,214 | 149,345 | 96,989 | (52,356) | -35% |
| AMBULANCE FEES | 529,909 | 524,791 | 622,761 | 97,970 | 19% |
| RECREATION FEES | 754,076 | 746,461 | 743,881 | (2,580) | 0% |
| OTHER CHARGES OR FEES | 452,225 | 142,802 | 466,897 | 324,095 | 227% |
| TOTAL CHARGES FOR SERVICES | 2,109,083 | 1,815,547 | 2,167,112 | 351,565 | 19% |
| FINES AND FORFEITURES | 324,670 | 326,364 | 301,794 | (24,570) | -8% |
| INCOME FROM INVESTMENTS & PROPERTY | 1,421,536 | 961,443 | 1,273,399 | 311,956 | 32% |
| INTERDEPARTMENTAL CHARGES | 833,528 | 869,796 | 947,448 | 77,652 | 9% |
| OTHER REVENUE SOURCES | 311,710 | 13,078 | 412,414 | 399,336 | 3053% |
| TRANSFERS IN | 600,000 | 0 | 600,000 | 600,000 | 100% |
| TOTAL GENERAL FUND | \$20,152,980 | 19,635,837 | \$18,875,577 | (\$760,260) | -4% |

(1)

(1) Calculated General Fund revenues are 6.3% below estimates as of September 30, 2009.

| GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT | | | | | |
|--|-------------------------------------|----------------------|-------------------------|----------------------|-----------------|
| | | TOTAL | AS OF 09/30/09 | | |
| DEPT | DESCRIPTION | BUDGET FY 2009-10 | AMOUNT COMMITTED (b) | AVAILABLE BALANCE | % AVAILABLE* |
| POLICY/LEADERSHIP GROUP | | | | | |
| | CITY COUNCIL | \$390,802 | \$71,735 | \$319,067 | 81.6% |
| | CITY MANAGER | 1,748,951 | 535,367 | 1,213,584 | 69.4% |
| | COMMUNICATIONS | 1,207,755 | 557,356 | 650,399 | 53.9% |
| | CITY CLERK | 139,041 | 37,595 | 101,446 | 73.0% |
| | CITY ATTORNEY | 1,292,986 | 282,392 | 1,010,594 | 78.2% |
| | CITY TREASURER | 189,913 | 48,199 | 141,714 | 74.6% |
| | TOTAL POLICY/LEADERSHIP | 4,969,448 | 1,532,644 | 3,436,804 | 69.2% |
| ADMINISTRATIVE SERVICES | | | | | |
| | ADMINISTRATION | 674,587 | 169,994 | 504,593 | 74.8% |
| | ENVIRONMENTAL RESOURCES MGMT. | 53,007 | 3,271 | 49,736 | 93.8% |
| | FINANCE | 3,344,911 | 981,401 | 2,363,510 | 70.7% |
| | HUMAN RESOURCES | 2,413,359 | 747,653 | 1,665,706 | 69.0% |
| | RECORDS MANAGEMENT | 860,190 | 176,175 | 684,015 | 79.5% |
| | GEOGRAPHIC INFORMATION | 596,302 | 130,506 | 465,796 | 78.1% |
| | TOTAL ADMINISTRATIVE SERVICES | 7,942,356 | 2,209,000 | 5,733,356 | 72.2% |
| PUBLIC SAFETY | | | | | |
| | POLICE | 27,830,608 | 6,862,062 | 20,968,546 | 75.3% |
| | FIRE | 16,870,443 | 4,403,471 | 12,466,972 | 73.9% |
| | TOTAL PUBLIC SAFETY | 44,701,051 | 11,265,533 | 33,435,518 | 74.8% |
| COMMUNITY DEVELOPMENT | | | | | |
| | COMMUNITY DEVELOPMENT ADMIN | 2,349,803 | 1,863,741 | 486,062 | 20.7% |
| | HIRING CENTER (c) | 88,203 | 82,468 | 5,735 | 6.5% |
| | ECONOMIC DEV/REAL ESTATE MANAGEMENT | 355,182 | 42,992 | 312,190 | 87.9% |
| | PLANNING | 4,879,010 | 1,354,496 | 3,524,514 | 72.2% |
| | BUILDING | 2,173,478 | 683,673 | 1,489,805 | 68.5% |
| | TOTAL COMMUNITY DEVELOPMENT | 9,845,676 | 4,027,370 | 5,818,306 | 59.1% |
| COMMUNITY SERVICES | | | | | |
| | PARK PLANNING & RECREATION | 5,932,805 | 1,403,060 | 4,529,745 | 76.4% |
| | PARKS | 5,984,127 | 1,834,089 | 4,150,038 | 69.4% |
| | SENIOR PROGRAMS | 1,017,576 | 365,159 | 652,417 | 64.1% |
| | LIBRARY | 9,633,220 | 2,278,065 | 7,355,155 | 76.4% |
| | CULTURAL ARTS | 828,917 | 239,634 | 589,283 | 71.1% |
| | TOTAL COMMUNITY SERVICES | 23,396,645 | 6,120,007 | 17,276,638 | 73.8% |
| PUBLIC WORKS | | | | | |
| | PUBLIC WORKS ADMINISTRATION | 1,107,023 | 274,489 | 832,534 | 75.2% |
| | ENGINEERING | 9,270,043 | 2,559,047 | 6,710,996 | 72.4% |
| | STREETS & TRAFFIC SIGNALS | 4,312,613 | 1,550,806 | 2,761,807 | 64.0% |
| | FACILITIES | 4,418,463 | 1,808,957 | 2,609,506 | 59.1% |
| | TOTAL PUBLIC WORKS | 19,108,142 | 6,193,299 | 12,914,843 | 67.6% |
| NON-DEPARTMENTAL & CONTINGENCY | | | | | |
| | OTHER NON-DEPARTMENTAL (a) | 146,554 | 145,183 | 1,371 | 0.9% |
| | TRANSFERS OUT | 6,715,000 | 6,538,000 | 177,000 | 2.6% |
| | CONTINGENCY | 463,504 | 0 | 463,504 | 100.0% |
| | TOTAL NON-DEPT & CONTINGENCY | 7,325,058 | 6,683,183 | 641,875 | 8.8% |
| TOTAL GENERAL FUND | | \$117,288,376 | \$38,031,036 | \$79,257,340 | 67.6% |

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

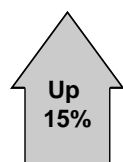
(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.

* Amount available would be 68.1% if funds were spent in the same proportion as the previous year.

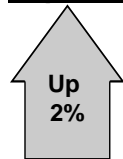
WATER ENTERPRISE

WATER OPERATIONS FUND SEPTEMBER 30, 2009

| | BUDGET FY 2009-10 | YTD 09/30/2008 | YTD 09/30/2009 | CHANGE FROM YTD 2008-09 TO YTD 2009-10 | PERCENT CHANGE |
|---------------------------------|----------------------|-------------------|-------------------|--|-------------------|
| REVENUES | | | | | |
| WATER DELIVERY | 31,591,550 | 5,853,063 | 6,722,900 | 869,837 | 14.9% |
| MISC. SERVICE CHARGES | 216,000 | 54,496 | 76,364 | 21,868 | 40.1% |
| PROPERTY TAXES | 2,995,000 | 75,451 | 77,468 | 2,017 | 2.7% |
| FINES, FORFEITURES & PENALTIES | 262,000 | 72,786 | 64,858 | (7,928) | -10.9% |
| OTHER REVENUES | 400,500 | 68,688 | 102,152 | 33,464 | 48.7% |
| TOTAL OPERATING REVENUE | 35,465,050 | 6,124,484 | 7,043,742 | 919,258 | 15.0% |
| EXPENSES | | | | | |
| STAFFING | 2,946,057 | 663,739 | 638,496 | (25,243) | -3.8% |
| INTERDEPARTMENTAL SERVICES | 2,673,789 | 525,648 | 651,965 | 126,317 | 24.0% |
| PURCHASED WATER | 19,222,757 | 2,828,233 | 2,578,172 | (250,061) | -8.8% |
| MWD/CWA FIXED CHARGES | 3,720,188 | 485,762 | 538,116 | 52,354 | 10.8% |
| OUTSIDE SERVICES/MAINTENANCE | 1,333,932 | 66,528 | 109,586 | 43,058 | 64.7% |
| DEPRECIATION/REPLACEMENT | 3,593,000 | 1,507,995 | 1,568,000 | 60,005 | 4.0% |
| CAPITAL OUTLAY | 148,879 | 0 | 81,856 | 81,856 | 100.0% |
| MISCELLANEOUS EXPENSES | 1,597,723 | 97,459 | 114,964 | 17,505 | 18.0% |
| TOTAL OPERATING EXPENSES | 35,236,325 | 6,175,364 | 6,281,155 | 105,791 | 1.7% |
| OPERATING INCOME/(LOSS) | 228,725 | (50,880) | 762,587 | 813,467 | 1598.8% |

Revenues

- The increase in water delivery revenues is the net result of a combination of an 18% decrease in the number of water units sold and an average 15.5% increase in water rates charged to our customers (water sales and delivery charges) that went into effect in August 2009. In addition, the CMWD implemented a new tiered rate structure in August 2009 increasing water bills for high-end users.
- An additional 2,217 new account fees over the last twelve months has led to the increase in miscellaneous service charges.
- With the implementation of the new online payment services now offered to its customers, the Enterprise has seen a reduction in late charges and door hanger fees.
- An increase in San Diego County Water Authority (SDCWA) credits has led to additional other revenues.

Expenses

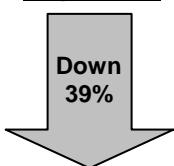
- A reduction in temporary and part-time employees has led to lower staffing costs.
- An updated information technology chargeback methodology in the current fiscal year and several mid-year interdepartmental corrections made in the prior fiscal year, created this year's interdepartmental services variance.
- Although the amount of purchased water has decreased by 19%, a 13% rate increase from the SDCWA partially offset the cost of purchased water.
- The water authorities, from which the Enterprise purchases its water, have raised their fixed charges by 10.8% from a year ago. These rates have been adjusting upward on a semi-annual basis over the past couple of years.
- The repair of a water main break at Chestnut and Celinda accounts for the higher outside services and maintenance.
- The purchase of valve maintenance equipment and new software is reflected in the capital outlay expenses for the year.
- An increase in the purchase of new water meters has impacted miscellaneous expenses.

WASTEWATER ENTERPRISE

| WASTEWATER OPERATIONS FUND | | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-----------------------|----------------|
| SEPTEMBER 30, 2009 | | | | | |
| | BUDGET | YTD | YTD | CHANGE FROM | PERCENT |
| | FY 2009-10 | 09/30/2008 | 09/30/2009 | YTD 2008-09 TO | CHANGE |
| REVENUES | | | | | |
| CHARGES FOR CURRENT SERVICES | 9,986,534 | 2,196,769 | 2,367,749 | 170,980 | 7.8% |
| OTHER REVENUES | 201,000 | 56,293 | 49,204 | (7,089) | -12.6% |
| TOTAL OPERATING REVENUE | 10,187,534 | 2,253,062 | 2,416,953 | 163,891 | 7.3% |
| EXPENSES | | | | | |
| STAFFING | 1,868,567 | 324,571 | 351,565 | 26,994 | 8.3% |
| INTERDEPARTMENTAL SERVICES | 1,376,897 | 239,119 | 319,633 | 80,514 | 33.7% |
| ENCINA PLANT SERVICES | 3,012,448 | 0 | 0 | 0 | 100.0% |
| OUTSIDE SERVICES/MAINTENANCE | 453,132 | 26,385 | 52,734 | 26,349 | 99.9% |
| DEPRECIATION/REPLACEMENT | 3,200,000 | 1,447,388 | 800,000 | (647,388) | -44.7% |
| CAPITAL OUTLAY | 18,845 | 450,267 | 2,925 | (447,342) | -99.4% |
| MISCELLANEOUS EXPENSES | 423,746 | 167,661 | 100,660 | (67,001) | -40.0% |
| TOTAL OPERATING EXPENSES | 10,353,635 | 2,655,391 | 1,627,517 | (1,027,874) | -38.7% |
| OPERATING INCOME/LOSS | (166,101) | (402,329) | 789,436 | 1,191,765 | 296.2% |

Revenues

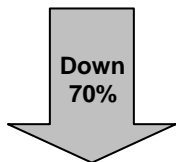
- The increase in charges for current services is primarily the result of an additional 1,940 new residential account fees over the past twelve months, as well as a 9% rate increase that went into effect in August 2009.
- Decreased other revenues is the result of a reduction in interest earnings due to a lower average cash balance and a reduction in the yield on the Treasurer's portfolio, partially offset by a reimbursement from a vector rental.

Expenses

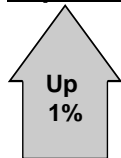
- Increased staffing costs are the result of hiring temporary and part-time staff to assist with sewer cleaning per the Enterprise's work plan.
- Higher interdepartmental charges are the result of timing differences. Several mid-year corrections were made in the prior fiscal year creating this year's variance.
- Additional costs associated with wastewater flow monitoring services are reflected in the higher outside services and maintenance expenses.
- In previous fiscal years, in addition to transferring to the Wastewater Replacement Fund the annual depreciation charges, an additional \$740,000 was also transferred to fund anticipated future replacement costs. This additional amount will not be transferred to the Wastewater Replacement Fund in the current fiscal year due to a sufficient cash balance in the Replacement Fund.
- The replacement of a Vector truck and the purchase of a video inspection van account for the capital outlay expenses in the prior fiscal year.
- A one-time fine in the prior fiscal year for the Buena Vista Lagoon wastewater spill accounts for the large decrease in miscellaneous expenses.

REDEVELOPMENT AGENCY

| CARLSBAD REDEVELOPMENT AGENCY VILLAGE PROJECT AREA OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS SEPTEMBER 30, 2009 | | | | | |
|---|--------------------|-------------------|--------------------|-----------------------|----------------|
| | BUDGET | YTD | YTD | CHANGE FROM | PERCENT |
| | FY 2009-10 | 09/30/2008 | 09/30/2009 | YTD 2008-09 TO | CHANGE |
| | | | | YTD 2009-10 | |
| REVENUES | | | | | |
| PROPERTY TAXES | 2,642,700 | 0 | 0 | 0 | 0.0% |
| INTEREST | 30,000 | 31,472 | 11,873 | (19,599) | -62.3% |
| OTHER REVENUES | 0 | 23,356 | 4,855 | (18,501) | -79.2% |
| TOTAL OPERATING REVENUE | 2,672,700 | 54,828 | 16,728 | (38,100) | -69.5% |
| EXPENDITURES | | | | | |
| STAFFING | 176,852 | 55,458 | 38,469 | (16,989) | -30.6% |
| INTERDEPARTMENTAL SERVICES | 77,622 | 23,813 | 19,406 | (4,407) | -18.5% |
| RENTALS & LEASES | 74,600 | 131,647 | 50,938 | (80,709) | -61.3% |
| DEBT EXPENSE | 1,045,340 | 762,058 | 772,851 | 10,793 | 1.4% |
| CAPITAL OUTLAY | 500,000 | 10,933 | 0 | (10,933) | -100.0% |
| OUTSIDE SERVICES, MAINT & MISC | 179,687 | 23,958 | 133,447 | 109,489 | 457.0% |
| TOTAL OPERATING EXPENDITURES | 2,054,101 | 1,007,867 | 1,015,111 | 7,244 | 0.7% |
| TOTAL OPERATING REVENUES OVER EXP. | 618,599 | (953,039) | (998,383) | (45,344) | 4.8% |
| PROPERTY ACQUISITION | 4,360,000 | 0 | 4,360,000 | 4,360,000 | 100.0% |
| TOTAL OPERATING REVENUES OVER EXPENDITURES | (3,741,401) | (953,039) | (5,358,383) | (4,405,344) | -462.2% |

Revenues

- The first installment of property tax revenues will be received in November 2009. According to the San Diego County Assessor, assessed values in the Village Project Area have increased by 1.21% in Fiscal Year 2009-10.
- Interest revenues have decreased due to the combination of a 26% decrease in the average cash balance for the year and a 31% decrease in the yield on the Treasurer's portfolio.
- A decrease in rental revenue from the cancellation of the Sowing Sisters lease has impacted other revenues.

Expenditures

- Changes in the allocation of staff salaries and a reduction in part-time employees have led to decreased staffing expenditures for the year.
- Lower interdepartmental charges are the result of decreased information technology charges.
- The Agency discontinued a parking lot lease during the prior fiscal year as reflected in the reduction in rental and lease expenditures.

- The first bond service payment for the fiscal year was made in August 2009.
- The capital outlay expenditures in the previous fiscal year were related to the Senior Center expansion.
- The costs associated with concrete repairs and the retrofitting of street lights to be more energy efficient are reflected in the higher outside services, maintenance and miscellaneous expenditures.

Property Acquisition

- The Agency acquired property and a building on State Street and property and a building on Oak Street from the General Fund for property redevelopment, area revitalization, blight elimination and economic development.